

TEACHERS' RETIREMENT BOARD  
BUDGETS AND AUDITS COMMITTEE

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SUBJECT: School District Final Report

ITEM NUMBER: 7

ATTACHMENTS: 1

ACTION: \_\_\_\_\_

DATE OF MEETING: February 4, 1999

INFORMATION: X

PRESENTER: Mr. Lee

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In accordance with auditing standards, the results of our audits are presented to the Budgets and Audits Committee to facilitate its oversight responsibility. The attached Executive Summary presents the highlights of the Pomona Unified School District final audit report we issued in November 1998.

**Pomona Unified School District** inappropriately reported to STRS a total of \$37,326.80 as creditable compensation for 14 members in their final years of service ending in retirement in school years 1993-94 through 1995-96.

The district reassigned one member from the elementary principal to the coordinator classification effective July 1, 1993 and continued to report the higher principal salary until her retirement in April 1997. When a member is reassigned to a different classification, her creditable compensation, for retirement reporting purposes, must be that of her new classification. This reporting error caused her retirement allowance to be overstated by \$22.89 per month. The net present value of the overstated allowance is approximately \$3,367.21.

The District inappropriately reported to STRS payments totaling \$34,533 paid to 13 members who promised to retire at the end of the school year. Payments reported to STRS cannot be based on a promise to retire. This reporting error caused their retirement allowances to be overstated by amounts ranging from \$29.25 to \$52.61 per month with a net present value cost of \$67,092.56.

The cost to complete this audit, which includes staff time, travel, and per diem, was \$14,989. With a total savings of \$70,460 to the System, the audit benefit was \$4.70 for each \$1 expended. It should be noted also that the benefits from field audits are not limited to savings resulting from corrections of contributions or inflated retirement allowances. Also important are the on-site training that occurs as a by-product of audit discussions in the field, and the deterrent effect of the program of auditing randomly selected districts.

**Office of Audits  
Executive Summary  
For the Budgets and Audits Committee  
Findings & Adjustments Needed  
Audit of Pomona Unified School District  
Pomona, CA**

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Period Audited:      July 1, 1995 - June 30, 1996 - For audit of Active Members  
                             July 1, 1990 - June 30, 1996 - For audit of Retired Members

Audit Report Date:    November 4, 1998

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**Audit Cost-Benefit Summary:**

<u>Benefit:</u>		<u>Cost:</u>	
Corrections to contributions	\$        0	Direct costs	
Retirement allowance, unfunded liability (net present value)	70,460	(Staff salaries, fringe benefits, travel and per diem)	
Excess post-retirement earnings	<u>          0</u>		<u>\$ 14,989</u>
 TOTAL DOLLAR EFFECT	 <u>\$ 70,460</u>	 <b>Benefit per Dollar Spent</b>	 <b>\$ 4.70</b>
Unreported post-retirement earnings	<u>\$        0</u>		

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**Finding:**

**The District Reported Incorrect Creditable Compensation for 14 Members Who Retired.**

The District inappropriately reported to STRS a total of \$37,326.80 as creditable compensation for 14 members in their final years of service ending in retirement in school years 1993-94 through 1995-96.

The district reassigned one member from the elementary principal to the coordinator classification effective July 1, 1993 until her retirement in April 1997. The District continued to report the higher principal salary until her retirement. When a member is reassigned to a different classification, her creditable compensation, for retirement reporting purposes, must be that of her new classification. The overstated creditable compensation caused her retirement allowance to be overstated by \$22.89 per month. The net present value of the overstated allowance is approximately \$3,367.21.

The District inappropriately reported to STRS payments totaling \$34,533 it paid to 13 members in their final year of service ending in retirement in school years 1993-94 through 1995-96. According to the District's approved salary schedules,

“Members will be eligible for step 16 during the last year of service with the District provided the member has completed 25 years of credited service, and has tendered an

irrevocable letter of resignation at least ten (10) months in advance of the June 30<sup>th</sup> in which the member plans to retire.”

Payments are creditable compensation when made to all members in a classification and cannot be based on a promise to retire. The amounts reported to STRS were from \$2,473.69 to \$2,830.22 per member. This caused their retirement allowances to be overstated by amounts ranging from \$29.25 to \$52.61 per month with a net present value cost of \$67,092.56.

### **Adjustments Needed**

The District must submit corrections to STRS to eliminate the \$2,793.80 from the 1993-94 through 1995-96 creditable compensation for the pay rates and earnings for the former coordinator.

The District must submit corrections to STRS for the 13 members’ final year of compensation for school years 1993-94 through 1995-96. When the adjustment is received at STRS, the members’ retirement allowances will be recalculated.

In accordance with Education Code Section 23008(a), the adjustments must be reported not later than the second monthly report after the date of the final audit report and the District must refund the corresponding employee contributions to the retired members.

The District must ensure future pay rates and earnings are reported properly. Also the retirement incentive must not be reported to STRS.